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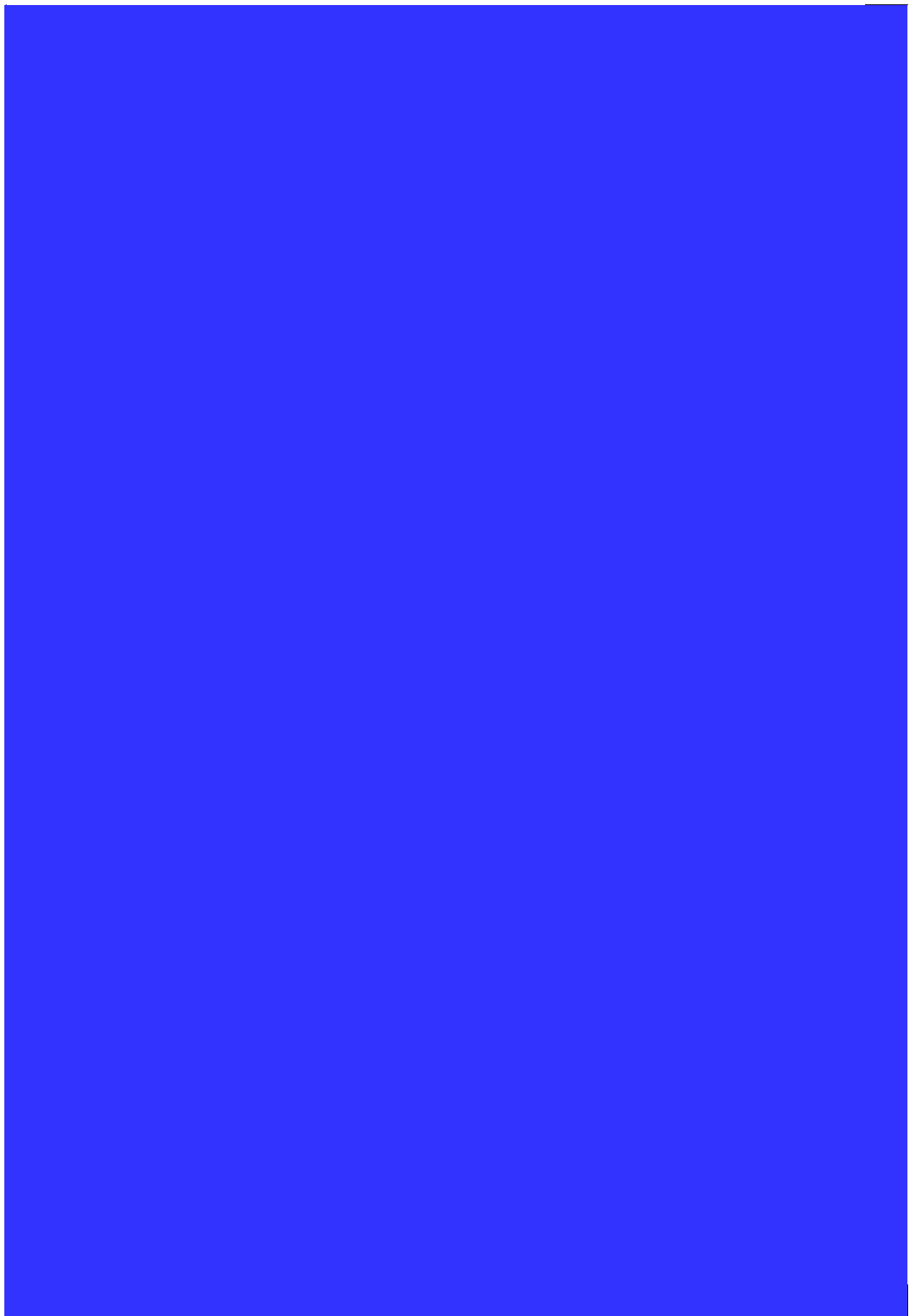
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Chapter 25

THE DEVELOPMENT OF ISLAMIC FINANCE IN MALAYSIA

by Mohd Zakbiri Md Nor, Ani Munirah Mohamad & Hakimah Yaacob

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THE DEVELOPMENT OF ISLAMIC FINANCE IN MALAYSIA

by Mohd Zakhiri Md Nor*, Ani Munirah Mohamad** & Hakimah Yaacob***

The Islamic finance industry has gained popularity and captured the attention of people all over the world. Today, Malaysia appears to be one of the leading Islamic finance players in the world, since the passing of the first legislation of Islamic finance in 1983 i.e. the Islamic Banking Act 1983.¹ The industry continues to progress until today, further promising robust development in the coming future. This chapter will discuss the development of the Islamic finance industry in Malaysia based on the three main sectors which are increasingly gaining popularity and visibility: banking and finance, *takaful* and securities.

25.1

Islamic Finance Industry

The growth rate of Islamic finance in Malaysia is impressive by any standards. Hence, Malaysia has the capacity to retain its leadership in global Islamic finance, despite the emergence of competition from centers such as Bahrain and Dubai.² There are a large number of diverse players and institutions in the Islamic financial system in Malaysia, from retail to commercial Islamic banking and finance, to general and life *takaful* insurance and to sectors of the Islamic capital market. There has also been growing of products and services being offered, becoming competitive both in terms of product structure and pricing.³ All these have increased the attractiveness of the Islamic financial instruments as an asset class for investments, attracting both local and foreign investors.

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1 The Islamic Banking Act 1983 has been repealed by the Islamic Financial Services Act 2013 (IFSA), which is currently being in force.

2 Yong, Y. N., 'Malaysia: Way ahead in Islamic Finance', (2007), *The Edge Daily*.

3 Abd Razak, D. and Abdul Karim, M. A., 'Development of Islamic Finance in Malaysia: A Conceptual Paper', paper presented at the 8th Global Conference on Business & Economics, 18-19 October 2008, Florence, Italy.

Tracking the development of the Islamic finance industry in Malaysia, it is notable to mention that Malaysia adopts the holistic approach to the implementation of Islamic finance, owing contribution from every industry player, including Bank Negara Malaysia, independent advisory governmental bodies, financial institutions, accountants, auditors and legal practitioners and last but not least, the consumers.

This holistic approach can be divided into several phases, the first being set for instituting the foundation from the year 1983 to 1992. During this phase, several dedicated legislations have been formulated and passed to govern the operations of Islamic banking, *takaful* and *Shari'ah*-compliant government funding. In addition, the first full-fledged Islamic bank was established in 1983, known as Bank Islam Malaysia Berhad, followed by the first full-fledged *takaful* company, Syarikat Takaful Malaysia Berhad, established in 1984.

The second phase ranged from the year 1993 to 2000 which allowed for the institutional building, activity generation and market vibrancy. This phase witnessed legislative amendments being made to allow for the operations of Islamic banking windows at commercial banks, whereby the then Finance Minister allowed Bank Bumiputra Malaysia Berhad (BBMB), United Malayan Banking Corporation (UMBC) and Maybank to open Islamic banking windows in March 1993. Apart from that, this phase also witnessed the establishment of the Association of Islamic Banking Institutions Malaysia (AIBIM) in 1995, the National Shari'ah Advisory Council in 1997 to expedite the expansion of products and services of Islamic banking and finance, as well as the Islamic Interbank Money Market. In 1999, Bank Muamalat, as the second Islamic bank in Malaysia was formed due to a merger between BBMB and Bank of Commerce to form Bumiputra-Commerce Bank.

The third phase ranged from the year 2001 to 2010, which synchronised the strategic positioning and international integration of the whole Islamic financial framework in Malaysia to international standards. This phase witnessed the setting up of the overall objective, including the creation of an efficient, progressive and comprehensive Islamic financial system. In addition, the government has identified a four-pronged strategic approach for the further development of Islamic finance in Malaysia, consisting of plans for the development of the regulatory framework, legal and *Shari'ah* frameworks, the development of products and markets and the enhancement of knowledge and expertise.

The year 2002 marked another milestone in the development when Bank Negara Malaysia launched the Financial Sector Master Plan, which later became the main agenda for the achievement of the players in the industry. Apart from that, the

domestic Islamic financial sector became liberalised to allow for the entry of foreign players and Islamic subsidiaries. Further, the industry players all continue to work hand in hand to integrate with the international Islamic financial sector.⁴

In June 2004, Bank Negara Malaysia announced that they have issued three Islamic full-fledged banking licenses to Kuwait Finance House (KFH), Saudi Arabia's Al Rajhi Investment Bank, and Qatar Investment Group. This major development marked the penetration of foreign Islamic banks into the arena of the Malaysian Islamic financial sector.

In terms of formulating standards to govern the Islamic financial industry in Malaysia, in 2002, we saw the establishment of the Islamic Financial Services Board (IFSB) as the international prudential standard setting body for the Islamic finance industry. The work of the IFSB has been crucial to support the orderly global expansion of Islamic finance thus ensuring a cohesive cross-border regulatory framework and international best practices for the Islamic financial system.⁵ A more recent initiative to support the role of the IFSB in promoting the financial stability of Islamic finance is the landmark establishment of the Islamic Financial Stability Forum (IFSF). Formed with the mandate to serve as a platform for information exchange and engagement between the authorities responsible for financial stability in the Islamic financial system, the forum has a major role in promoting effective cross-border cooperation.⁶ In addition, another important milestone is being achieved with the establishment of the International Islamic Liquidity Management Corporation (IILM), a liquidity management infrastructure to enhance the capacity of Islamic finance in facilitating efficient cross-border flows. This represents another major breakthrough for the Islamic financial services industry, as IILM will enable more effective liquidity management not only for the Islamic financial institutions but also for the management of Islamic financial portfolios.⁷

The fourth stage, which is the present stage, beginning from 2011 until now, witnesses further exponential growth of the Islamic finance industry in the country. Malaysia emerged tops on various checkpoints for Islamic finance in a newly released global

4 Abdul Kadir, M. R., 'Islamic Finance in Malaysia – Evolution and Current Development', speech by Deputy Governor of Bank Negara Malaysia at the University of Bahrain, Bahrain, 15 October 2009.

5 Zeti Akhtar Aziz, Governor's Welcoming Address at the Global Islamic Finance Forum 2010, Kuala Lumpur, 2 October 2010.

6 *Ibid.*

7 *Ibid.*

measurement of the industry, scoring high points for areas like *sukuk* growth and performance, Islamic mutual funds market, and the level of education and research, outperforming Bahrain, Jordan, Kuwait, United Arab Emirates, and Oman. Malaysia scored 93 out of 100 in the Islamic Finance Development Indicator (IFDI), which badges itself as the world's 'first and only indicator' that measures development of the Islamic finance industry holistically beyond earnings, profits and asset sizes.

In this respect, one of the most significant developments in the Islamic banking and finance industry during this phase is the introduction of the Islamic Financial Services Act 2013 (IFSA) which repealed the Islamic Banking Act 1983 and the Takaful Act 1984. The IFSA provides Bank Negara Malaysia (BNM) with the necessary regulatory and supervisory oversight powers to fulfil its broad mandate within a more complex and interconnected environment, given the regional and international nature of financial developments. The law is also expected to place Malaysia's financial sector, on a platform for advancing forward as a sound, responsible and progressive financial system. The IFSA has provided the BNM with statutory duty to foster fair, responsible and professional business conduct amongst financial service providers. The IFSA is expected to promote robust financial consumer protection regime particularly in the aspect of unfair and deceptive business conduct and disclosure obligations and to provide clear demarcation between conventional and Islamic banking.

On another note, it is important to highlight the legal consequence of IFSA on corporate governance framework for Islamic financial institutions (IFIs). Generally, the IFSA provides a clearer and more comprehensive set of provisions for corporate governance for IFIs. The IFSA vests the BNM with wide ranging powers to issue standards, which are binding upon every director, officer or *Shari'ah* committee member of the institution. More importantly, s. 28(6) of IFSA provides that a failure to comply with the standards issued is an offence under the Act and carries with a maximum penalty of eight years imprisonment or a fine of RM25 million or both. In other words, this provision potentially exposes board or directors, management, officers and even *Shari'ah* committee members with heavy penalties including imprisonment. Therefore, IFIs are required to be more vigilant and diligent in carrying their business which failure may lead to potential jail terms and heavy fine to their personnel.

Shari'ah governance is another developed areas of Islamic finance in Malaysia. Numerous efforts either top down initiatives by the BNM or bottom up endeavour by the practitioners shape the practice of *Shari'ah* governance. The International Shari'ah Research Academy for Islamic Finance (ISRA), International Centre for Education in Islamic Finance (INCEIF) and various higher learning institutions have been at the forefront in improving the *Shari'ah* governance related matters including research and development. The establishment of the Association of Shari'ah Advisors initiated by members of *Shari'ah* scholars further stimulates the degree of professionalism and talent development of *Shari'ah* advisors and committee members in Islamic finance.

Evidently, Malaysia has a strong foundation and systematic plans for the further development of the Islamic financial sector in Malaysia. Indeed, a robust and effective regulation and supervision of Islamic financial institutions is the key to preserving financial stability.⁸ With this financial infrastructure in place, Malaysia has recently intensified its pace of liberalisation. In April 2009, the government announced further liberalisation measures that included new licenses to be offered in Islamic banking and *takaful*. To be more specific, three new mega Islamic banking licenses has been issued to foreign players with a minimum paid up capital of USD1 billion to enhance global interlinkages and leverage on global developments in Islamic finance. Existing domestic Islamic banks that wish to scale up their operations and expand into global markets are also given greater flexibility to enter into strategic partnerships with foreign players to raise their capitalisation to USD1 billion with a higher foreign equity limit of up to 70%.⁹

Bearing in mind the importance of strengthening the infrastructure to support the further development of the Islamic financial industry in addressing the institutional capacity both at the national and international levels, Bank Negara Malaysia has identified eight building blocks which address the core foundation for the development of Islamic finance:¹⁰

- (1) ensuring the effective implementation of the prudential standards;

8 Zeti Akhtar Aziz, Governor's Address at the Malaysia-UK Islamic Finance Forum, Kuala Lumpur, 8 July 2009.

9 *Ibid.*

10 Zeti Akhtar Aziz, 'The Transformation of the International Financial System and the Role of the Islamic Financial System', Governor's Keynote Address at the 6th World Islamic Economic Forum, Kuala Lumpur, 20 May 2010.

- (2) the development of systemic liquidity management infrastructure;
- (3) the establishment of strong financial safety nets;
- (4) putting in place an effective crisis management and resolution framework;
- (5) strengthen further the accounting, auditing and disclosure standards;
- (6) having an effective macro prudential surveillance in place;
- (7) having credible credit rating institutions and processes; and
- (8) enhancing close international cooperation and coordination among countries including in capacity building and talent development to support efforts at the national level to ensure financial stability.

In terms of sound legal and regulatory framework for the Islamic banking and finance industry in Malaysia, it appears that the legal aspects in Islamic finance represent an important 'bridge' between the governing *Shari'ah* principles and the practice of Islamic finance. The application of *Shari'ah* principles in the light of the governing laws and regulations in each Islamic financial transaction are interpreted through legal advice, in legal documentation of the financial transactions, and dealing with disputes.¹¹ Henceforth, it is inevitable that the solicitors drafting the legal documentations in respect of Islamic banking and financial products to truly reflect the intention of the parties in any particular Islamic transaction.

The next sections will deliberate on the development of each of the three major industries in the Islamic banking and finance fraternity, being: (i) Islamic banking and finance; (ii) *takaful*; and (iii) Islamic securities.

11 Zeti Akhtar Aziz, 'Legal Issues in the Islamic Financial Services Industry', Governor's speech at the 4th IFSB Seminar on Legal Issues in the Islamic Financial Services Industry, Kuala Lumpur, 28 September 2009.

25.2

Growth of Islamic Banking and Finance

Prior to the year 2000, there were only two full-fledged Islamic banks in Malaysia, Bank Islam Malaysia Berhad which was established in 1983 and Bank Muamalat Malaysia Berhad in 1999. After 20 years, the number has increased to more than eight times thereof. Currently in the year 2016, there are 16 full-fledged Islamic banks operating in Malaysia, which are produced as follows:

- (1) Affin Islamic Bank Berhad;
- (2) Al Rajhi Banking & Investment Corporation (Malaysia) Berhad;
- (3) Alliance Islamic Bank Berhad;
- (4) AmIslamic Bank Berhad;
- (5) Asian Finance Bank Berhad;
- (6) Bank Islam Malaysia Berhad;
- (7) Bank Muamalat Malaysia Berhad;
- (8) CIMB Islamic Bank Berhad;
- (9) Hong Leong Islamic Bank Berhad;
- (10) HSBC Amanah Malaysia Berhad;
- (11) Kuwait Finance House (Malaysia) Berhad;
- (12) Maybank Islamic Berhad;
- (13) RHB Islamic Bank Berhad;
- (14) Standard Chartered Saadiq Berhad;
- (15) Public Islamic Bank Berhad; and
- (16) OCBC Al-Amin Bank Berhad.

These Islamic banks offer a wide range of Islamic banking and financial products, both retail and commercial, to a full spectrum of customers regardless of their locality, race, religion, skin colour, political mindset or gender. The products prove to have successfully attracted customers of all walks of life, both local and foreign. They include both deposit and financing products based on the Islamic concepts including *mudarabah*, *musharakah*, *Bay' Bithaman Ajil* and *istisna*.

Malaysia's Islamic banking assets reached RM487.158 billion as at December 2014, as compared to RM131.908 billion in December 2006.¹²

As at end of December	Total Islamic banking assets (RM/billion)
2006	131.908
2007	156.810
2008	192.682
2009	233.656
2010	267.631
2011	328.649
2012	375.954
2013	433.563
2014	487.158

Table 25.1: How the size of assets in the Malaysian banking has significantly doubled over a period of four years from 2006 to 2014

Source: Bank Negara Malaysia, available at www.bnm.gov.my

Based on Table 25.1, we can conclude that there is a significant increase of total Islamic banking assets right from the end of December 2006 up to the end of December 2014.

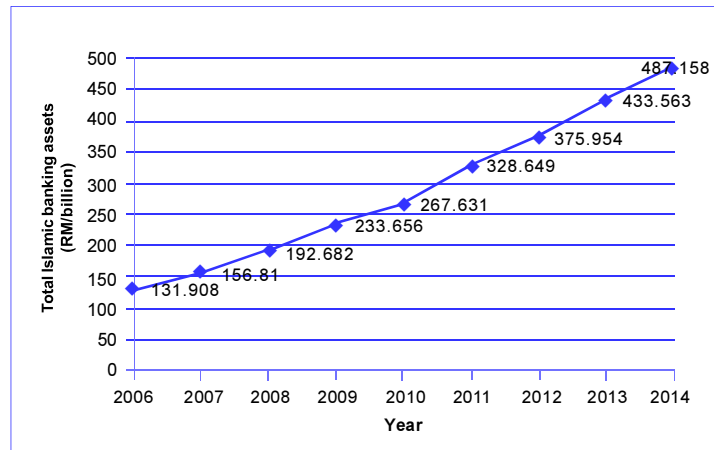


Figure 25.1: Total Islamic banking assets.

¹² See Monthly Statistical Bulletin (Bank Negara Malaysia), December 2014.

In terms of Islamic financial assets, presently, the total of Malaysia's Islamic financial assets stands at RM331.863 billion as at December 2014.¹³ These figures shows how the funding size of Islamic finance in Malaysia has significantly increased more than four times over a period of less than ten years from 2006 to 2014.

As at end of December	Total Islamic finance funds (RM/billion)
2006	73.368
2007	85.388
2008	104.630
2009	133.486
2010	159.239
2011	200.299
2012	236.623
2013	283.988
2014	331.863

*Table 25.2: The total size of Islamic finance funds in Malaysia
as at December 2006 to December 2014*

Source: Bank Negara Malaysia, available at www.bnm.gov.my

¹³ *Ibid.*

Based on Table 25.2, we can conclude that there is a significant increase of total Islamic finance funds right from the end of December 2006 up to the end of December 2014, as can be seen in figure 25.2 below.

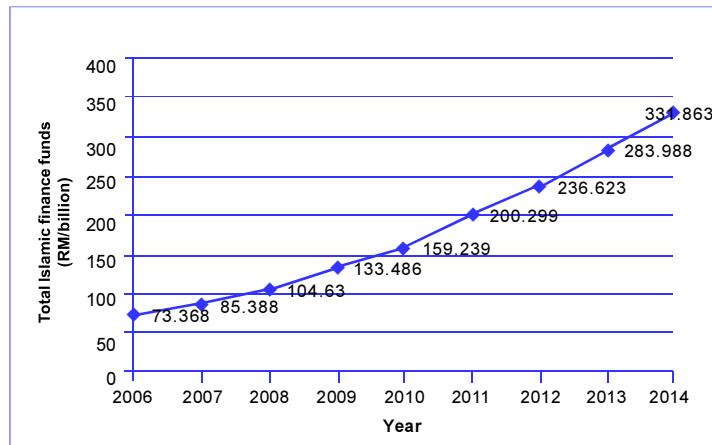


Figure 25.2: Total Islamic finance funds.

25.3

Takaful – The Preferred Choice

Adopting the concept of risk-sharing, as opposed to risk-transfer as practiced by conventional insurance, *takaful* has over the years emerged as the preferred choice for protection, by both retail and corporate customers. At present, there are currently 11 *takaful* companies operating in Malaysia, and four *retakaful* companies.

Takaful companies:

- (1) AIA Public Takaful Bhd;
- (2) AmMetLife Takaful Berhad;
- (3) Etiqa Takaful Berhad;
- (4) Great Eastern Takaful Berhad;
- (5) HSBC Amanah Takaful (Malaysia) Berhad;
- (6) Hong Leong MSIG Takaful Berhad;
- (7) MAA Takaful Berhad;
- (8) Prudential BSN Takaful Berhad;
- (9) Sun Life Malaysia Takaful Berhad;
- (10) Syarikat Takaful Malaysia Berhad; and
- (11) Takaful Ikhlas Berhad.

Retakaful companies:

- (a) MNRB Retakaful Berhad;
- (b) Munchener Ruckversicherungs – Gesellschaft (Munich Re Retakaful);
- (c) ACR Retakaful Berhad; and
- (d) Swiss Reinsurance Company Ltd (Swiss Re Retakaful).

As of June 2014, the total assets of Malaysia's general *takaful* industry amounted to RM3.032 billion as compared to RM1.098 billion in 2006. Meanwhile, the total assets of the family *takaful* amounted to RM18.922 billion in June 2014 as compared to RM5.800 billion in 2006.¹⁴

As at end of	General <i>takaful</i> assets (RM/billion)	Family <i>takaful</i> assets (RM/billion)	Total (RM/billion)
2006	1.098	5.800	6.898
2007	1.373	7.445	8.818
2008	1.669	8.900	10.569
2009	1.909	10.536	12.445
2010	2.259	12.461	14.720
2011	2.571	14.377	16.948
2012	2.755	16.289	19.044
2013	2.982	17.952	20.934
June 2014	3.032	18.922	21.954

Table 25.3: The total size of takaful assets in Malaysia from 2006 to 2014

Source: Bank Negara Malaysia, available at www.bnm.gov.my

¹⁴ See 'Annual Takaful Statistics 2009', (Bank Negara Malaysia). See also Financial Stability and Payment Systems Report 2013.

Similar as to the situation in the total Islamic banking assets, based on Table 25.3, we can conclude that there is a significant increase of total Islamic *takaful* assets within a time period of ten years right from the end of 2006 up to the end of 2014.

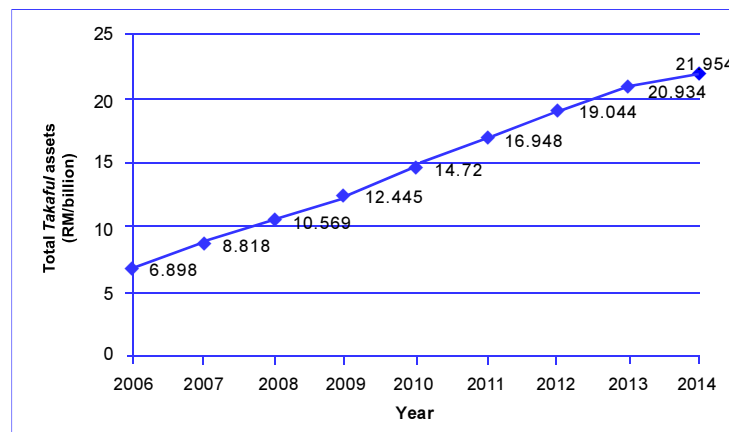


Figure 25.3: Total *takaful* assets.

It is admitted that the *takaful* industry exhibits high potential, as demonstrated by its robust expansion with an annual growth rate of total assets and contributions averaging between 20% and 26% over the period of 2004 to 2009.¹⁵ Globally, Malaysia also signifies its presence in the *takaful* market, being the second largest *takaful* market in the world with its total assets of USD3.2 billion dominated 26% of total global *takaful* assets in 2009.¹⁶ The industry is expected to continue growing by 15-20% annually, with contributions expected to reach USD7.4 billion by 2015.¹⁷

To advance relations in the area of Islamic finance and *takaful*, a memorandum of understanding between the Central Bank of Malaysia and Japan Bank for International Corporation (JBIC) was signed in 2007. There is also a strategic alliance between one of the world's largest Japanese insurance groups with a domestic insurance company in Malaysia which resulted in the establishment of a *takaful* company.¹⁸

15 Mohd Razif Abd. Kadir, Keynote Address by Deputy Governor at the Official Launch of AIA AFG Takaful Bhd, Kuala Lumpur, 28 January 2011.

16 *Ibid.*

17 See Bank Negara Malaysia, available at www.bnm.gov.my.

18 Zeti Akhtar Aziz, 'Islamic Finance: Constant Evolution and Emerging Opportunities', Governor's Speech at the Nikkei Islamic Finance Symposium 2008, Tokyo, 23 February 2008.

Apart from that, the composition of financial institutions will also show much greater diversity. With banks, insurers and *takaful* operators offering higher value-added services to serve the more sophisticated customers, along more developed venture capital industry and angel funds providing risk capital for innovative firms, plus the development of financial institutions stepping up to widen the base of financial services to all Malaysians.¹⁹

On the regulatory front, regulations for the *takaful* industry will continue to focus on ensuring effective risk management in the product development process and operations of *takaful* operators. The *takaful* industry has been progressively on its track to fully embark on the principle and risk-based supervisory approach that has been implemented for the insurance sector. Indeed, a robust *Shari'ah* governance framework is another important element to assist the *takaful* industry in achieving full *Shari'ah* compliance in the development and application of their products and services.²⁰

25.4

Islamic Securities – The Way Forward

In its recent statistics released by the Securities Commission, the Malaysian Islamic capital market is worth RM1.77 trillion as at June 2014. Following the revised screening methodology, a total of 73.5% of companies listed on Bursa Malaysia (666 out of 906), collectively having a market capitalisation of RM1.08 trillion are deemed as *Shari'ah*-compliant.

In relation to this, the Governor of Bank Negara Malaysia, Zeti Akhtar Aziz stated that liberalisation of the financial markets in Malaysia is expected to attract more foreign currency *sukuk* issuance by sovereign entities, multilateral institutions and multinational corporations.²¹ This reveals part of the strategies put in place by the government towards boosting the development of Islamic capital markets in Malaysia and also on an international level.

¹⁹ Zeti Akhtar Aziz, Governor's Keynote Address at the Financial Industry Conference 2010, Kuala Lumpur, 3 November 2010.

²⁰ *Ibid.*

²¹ Zeti Akhtar Aziz, Keynote Address by the Governor of Bank Negara Malaysia at the launch of Bloomberg's Enhanced Islamic Finance Platform, Kuala Lumpur, 21 February 2011.

The following figure, explains the different Islamic contracts underlying *sukuk* issuance in Malaysia in the first half of 2014 (January-June) with 82% of the entire *sukuk* is based on *murabahah*, followed by 9%, 7% and 2% is based on *musharakah*, *wakalah bi al istithmar* and *ijarah* respectively.²²

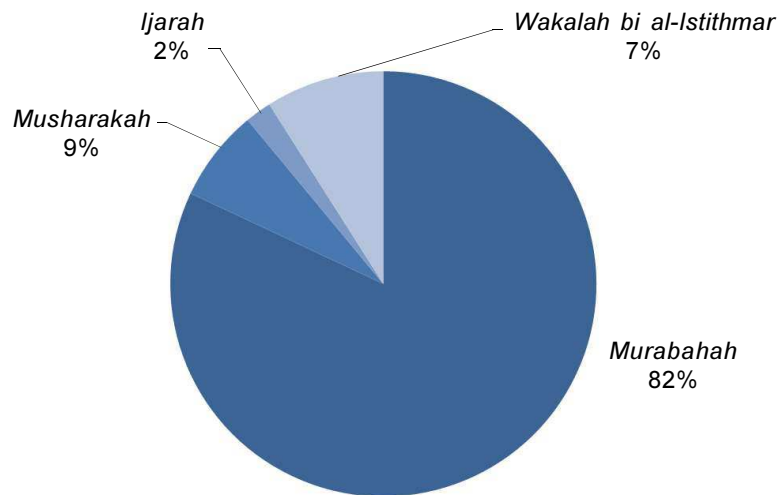


Figure 25.4: Different Islamic contracts underlying *sukuk* issuance in Malaysia from January-June 2014.

Whereas in relation to unit trust funds, as of December 2014, a total of 190 funds have been approved by the Securities Commission of Malaysia, with 94.642 billion units in circulation valued at RM46.660 billion, as opposed to a total of 97 approved Islamic funds as at December 2006, with 18.474 billion units in circulation valued at RM9.101 billion.²³

²² See Source, Data and Statistics, Securities Commission Malaysia, available at www.sc.com.my.

²³ *Ibid.*

As at end of December	Total Islamic unit trust funds	Units in circulation (billion)	Total Islamic funds size (RM/billion)
2006	97	18.474	9.101
2007	128	36.272	16.785
2008	141	48.857	16.118
2009	150	56.848	22.080
2010	155	56.200	24.040
2011	167	61.212	27.860
2012	173	69.865	35.361
2013	184	80.312	42.822
2014	190	94.642	46.660

Table 25.4: The total size of Islamic unit trust funds in Malaysia as at end of December 2006 to 2014

Source: Securities Commission of Malaysia, available at www.sc.com.my

Based on Table 25.4, the following figure could be derived as to show the significant increase in the Islamic unit trust funds size as at the end of December 2006 up to the end of December 2010.

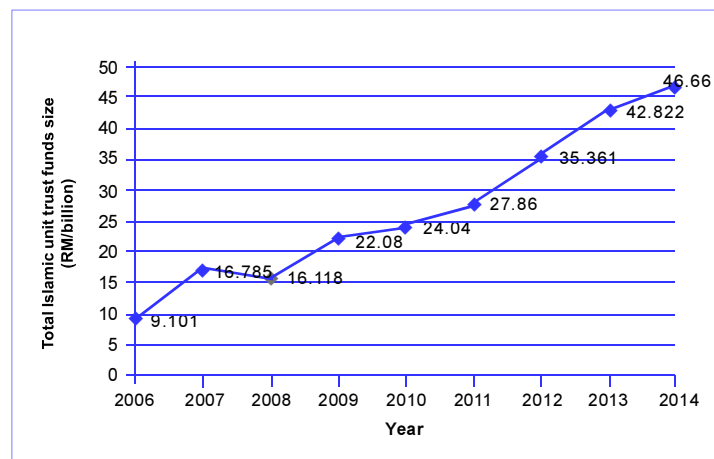


Figure 25.5: Total Islamic unit trust funds size.

In the current environment of great uncertainty, both investors and issuers are in search of financial products and services that require greater transparency and explicit risk management. *Shari'ah* principles, in this respect, prohibit excessive leverage and speculative financial activities and discourage excessive risks exposures, thus providing the best solution for both local and international investors.²⁴ The *Shari'ah*-compliant products within the Malaysian financial markets include private equity, project finance, the origination and issuance of *sukuk*, as well as fund, asset and wealth management products. The *sukuk* market in particular, has become an important avenue for international fund-raising and investment activities.²⁵

Apart from that, to further boost the growth of Islamic securities market, Bank Negara Malaysia and the government have paved the way for liberalisation of rules with the view to allow for internationalisation of the market into global standards. It is to enable foreign entities to raise the ringgit and foreign currency denominated funds from our market. International issuers may thus issue multi-currency *sukuk* or alternatively have the flexibility to swap domestic currency funding into other currencies.

25.5

Conclusion

As stated by the then Deputy Minister of Finance, the implementation of an Islamic financial system is not the end goal. It is, in fact, a means and tool of competitive advantage for the *ummah's* success, including economic-wise.²⁶ Moving forward, the Malaysian government will continue to invest in human capital development. It is important for the Islamic financial services industry to constantly promote human capital development and expertise to create a larger pool of experts and high calibre

24 Zeti Akhtar Aziz, 'Islamic Finance: An Agenda for Balanced Growth and Development', Governor's Luncheon Address at the IMF-World Bank Annual Meetings, Washington DC, 10 October 2010.

25 Zeti Akhtar Aziz, 'Islamic Finance: A Global Growth Opportunity amidst a Challenging Environment', Governor's Keynote Address at State Street Islamic Finance Congress 2008, Boston, 6 October 2008.

26 Nor Mohamed Yakcop, 'Islamic Financial Market Development – the Malaysian Strategy', Keynote Address at the International Islamic Capital Market Conference, 26 March 2002, Kuala Lumpur.

professionals. This involves enlarging not only the existing talent pool, but also building a robust pipeline of skilled human resources for the future.²⁷ In addition, to further ensure sustainability of the resilience of Islamic finance, it is important to have comprehensive enabling infrastructure that allows for the management of the risks that are peculiar to Islamic finance. There is a need for Islamic financial system to have the capital requirements, effective risk management and strong governance that are fully equipped to manage the risks that are specific to Islamic financial transactions.²⁸ In this respect, Bank Negara Malaysia is committed towards promoting human capital development.

27 Zeti Akhtar Aziz, 'Islamic Finance: A Central Bank's Perspective', Governor's Keynote Address at the Banca D'Italia: Seminar on Islamic Finance, Rome, 11 November 2009.

28 Zeti Akhtar Aziz, 'Enhancing the Resilience and Stability of the Islamic Financial System', Governor's Keynote Address at the Islamic Financial Services Board and Institute of International Finance Conference, Kuala Lumpur, 20 November 2008.



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